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SOCIAL SECURITY

Mr. HARKIN. Mr. President, I am going to make some remarks today regarding the now unfolding debate regarding the future of Social Security in our country. I don't intend that my remarks will be the end of what I have to say about it, but only the beginning. I envision this to be a long and serious and involved discussion over the next weeks and months regarding Social Security, the future of Social Security, what we are going to do about it as a country, and what the President might be proposing also.

At the outset, let me say that Social Security is the most enduring and popular and successful Government program in our Nation's history. When Social Security was created in 1935, nearly 50 percent of seniors lived below the poverty line. Americans did not look forward to retirement; they feared it. But today, thanks to Social Security, the number of seniors living in poverty has been reduced to 10 percent, and most Americans are able to look forward to their retirement as their golden years—years to be spent enjoying their grandkids, their community, traveling, and having better health. It is an extraordinary achievement for this country to have achieved just since World War II.

Now, to understand the success of Social Security, we have to be clear about what Social Security is not. It is not a welfare program. Only those who work and pay into Social Security are eligible for its benefits. Likewise, Social Security is not an investment program. For that, we have IRAs, 401(k)s, individual development accounts, IDAs, and a vast range of private saving and investment accounts.

So if Social Security is not welfare and if it is not a retirement investment program, then what is it? Well, simply put, it is an insurance program. That is why it is called Social Security insurance. It was established in 1935 to provide benefits to workers and their family members—yes, upon retirement, disability, or death. In fact, the original name for Social Security was the Old Age Survivors and Disability Insurance Program, or OASDI, as we have come to know it.

Social Security is a social insurance program that embraces almost the entire American family. It is the highest expression of our connection and commitment to one another. It reflects our core values, our compassion, our decency, our bedrock

belief that no senior, no orphan, no survivor, no person with a disability, no member of our American family will be left behind.

I talk about it in terms of our American family because I make the analogy with our own private individual families. In good times, in normal times, the individuals in our own families are independent, self-sustaining, going their separate ways, building their individual good futures. But in our own families in times of misfortune, financial crisis, old age, or death that is when individuals in the family pull together. We come together, sacrificing, if necessary, to give aid, comfort, and support to the family member who is in need.

As Americans, we all value the benefits of the free marketplace. We all believe in individual responsibility. However, we also know that sometimes markets fail. We also know sometimes people fall on hard times, through no fault of their own. Sometimes people become disabled. That is exactly why we have a social security insurance program, to provide a basic safety net for the elderly, for survivors, and for Americans with disabilities.

Social Security has a deep meaning for me and my family, and it is a story I will be telling a little bit today, and I will be enlarging upon it later, but it has to do with my family when I was young, but as it relates to a lot of families today.

I was born in 1939. My father was 54 years old when I was born. My mother was 44. When I was 10, my mother died. My father had three kids under the age of 18. My father had only an eighth grade education. He worked most of his life in the coal mines in Iowa. Not too many people know we had coal mines in Iowa. During the Depression, he worked on WPA programs. In fact, on the wall of my office I still have his WPA card to remind me from where I come.

Then during World War II, when my father was in his fifties—the coal mines pretty much shut down—he was able to work in an ordnance plant and had paid in the requisite quarters to qualify for Social Security.

So when my father reached the age of 65, which was in 1951—and I was now 11 years old—he was in bad health. He suffered from what we called miner's lung in those days. We did not call it black lung; we called it miner's lung. Basically,

the most he could do was to work odd jobs, painting houses, fixing things up, and other jobs such as that.

His total Social Security check at that time was about \$120 a month. That was the sole source of income for our family. We had no outside income. He had no savings. We owned no land. We owned no stocks. We owned no bonds. We owned nothing except the little house we had. So that \$120 a month was our total family income. We lived on that.

I relate that story because when we were young and growing up, Social Security was the only thing standing between us and welfare. We all worked as kids, even at 12, 13, 14, 15. We all had jobs, whether it was working on farms or whatever it might have been. But the fact that my father was able to get Social Security when he was 65 and he was unable to work--most people in those days were unable to work because they worked pretty hard all their lives--was what kept us together as a family.

One might say that was then and today is different. Things have not changed all that much since the 1950s. Today one out of every five seniors, 20 percent, rely on Social Security for 100 percent of their income. For two-thirds of our seniors, Social Security is the major source of income. There may be a little bit of something else. In fact, according to the publication of the Social

Security Administration, in the year 2000, nearly 48 percent of American seniors would have fallen below the poverty line if they had not received Social Security. In other words, take away Social Security and we are right back to where we were in the 1940s or 1950s with nearly half of America's seniors living in poverty.

I understand that we have long term problems to deal with in the Social Security program. However, the good news is that Social Security is financially strong and will remain strong for decades to come. This year Social Security will run a surplus in the neighborhood of \$150 billion. The cumulative Social Security surplus now stands in excess of \$1.6 trillion. And guess what. Every single one of those dollars is invested in rock solid Treasury securities backed by the full faith and credit of the U.S. Government.

What is more, according to the 2004 Social Security Trustees Report, in the year 2003, surpluses in the Social Security trust fund earned an average interest rate of 6 percent. By contrast, over the 5 years ending with 2004, money invested in a stock fund tracking the Standard & Poor's 500 Index would have lost an average of 2.4 percent per year.

Many people say that money you put into Social Security is gone; it is not there; the Government used it. When they devised Social Security they said: Yes, Social Security money has to be invested in Government securities. Why? Because Government securities are backed by the full faith and credit of the U.S. Government.

I have been hearing this nonsense for the more than 25 years I have been in public life: Oh, Social Security will not be there for me. More young people today believe in UFOs than they believe that Social Security will be there for them when they retire. Every time I have a town meeting someone gets up and says: We have to change Social Security; it will

not be there for me when I retire.

I say: Let me ask you this. Do you believe the U.S. Government, the United States of America will still exist when you retire? Of course, everybody says yes. Of course, the United States of America is going to exist for a long time.

Well, then, I say your Social Security is going to be secure, too, because it is backed by the full faith and credit of the U.S. Government. The United States has never defaulted on a bond, and we never will.

So to those who say that somehow Social Security will not be there, the Government is going to default and not pay the bonds, right now China is buying U.S. bonds, loaning us money every year to finance our deficit. Are we telling them, Hey, guess what, China, those bonds may not be any good; we may default on those?

Do we tell the private sector that is buying a lot of Government bonds for their portfolios, Hey, guess what, it might not be there? The reason Government bonds are so good is because it is backed by the U.S. Government. That is why Social Security will be there. That is the truth that those who want to privatize Social Security are not telling us.

Does Social Security face a challenge nearly half a century from now? Yes, it does. According to the Congressional Budget Office, in the year 2052 the huge surpluses in the Social Security trust fund will have been used up. But payroll taxes will continue to roll in, allowing about 73 percent of scheduled benefits to be paid indefinitely. Clearly, the 27-percent shortfall will be a challenge. That is about 45 to 47 years from now, and for that reason I welcome the current discussion of ways to address the current challenge. Now, since I have been in Congress--and that has been now 30 years--we have adjusted Social Security twice. Since 1935, we have adjusted it several times. With changing times and circumstances, as we look ahead we make changes, and we are going to have to make some changes now, but not as drastic as some people are saying.

I am interested in hearing the details of the President's plan in his State of the Union speech on Wednesday. Reportedly, at least from what I read in the papers, he will propose a partial privatization of Social Security. Guess how it is going to be financed. By up to \$2 trillion in new borrowing over the next decade. Where are we going to borrow that money? We will have to float bonds.

Who is going to buy the bonds? Well, right now the biggest buyer of our bonds is China and Japan. Are we going to tell them we may default on those bonds? No. We are telling them that those bonds are good.

According to other reports, the President plans to follow the advice of his 2001 Commission on Privatization, which recommended that future Social Security benefits be cut by 40 to 50 percent. Well, with good reason Senators from both parties have been very skeptical and critical of these approaches. As even conservatives acknowledge, private accounts have nothing to do with ensuring the long-term financial health of Social Security. One person even described private accounts as "a solution in search of a problem."

What is more, the proposal to cut benefits by 40 to 50

benefit is not just Draconian, it is totally unnecessary. It feeds the suspicion that the President's real aim is not to save Social Security but to drastically shrink it as the first step toward eventually ending it, like Grover Norquist wants to do.

I will focus the remainder of my remarks today on one part of Social Security that is not being talked about. I have one big overriding concern. I am concerned that those who want to privatize Social Security have almost totally ignored the fate of some 6.2 million Americans with disabilities, people who in many cases desperately depend on Social Security disability benefits.

President Bush says he has no current plans to cut disability benefits, but unfortunately the President seems not to understand that in our Social Security system both the retirement and disability programs are closely linked.

They use the same formula for determining benefits. In an interview with *The Washington Post* published on January 16, the President acknowledged that:

Frankly, our discussions in terms of reform have not centered on the survivor/disability aspect of Social Security.

Meanwhile, the President's Commission on Social Security devoted a mere two pages out of its 256-page report on the fate of people with disabilities. Many advocates of privatization simply assume that disability benefits will be treated the same as retirement benefits. Certainly this was the working assumption of the President's Commission.

The Associated Press reported on January 18 that in the Commission report, disability benefits get reduced along with retiree benefits, in some cases up to 46 percent. The cuts were used to make the plan's finances add up in a report.

Disability benefits get reduced in some cases up to 46 percent. Let me quote from the Privatization Commission's report, page 149, if anyone is looking it up:

In the absence of fully developed proposals, the calculations carried out for the Commission and included in the report assume that defined benefits will be changed in similar ways for [both retirement and disability] programs.

The Commission says it is not necessarily recommending this, but the proof is in the numbers. All of the Commission's calculations assume that disability benefits will be cut the same as retirement benefits. Without those cuts, the Commission's numbers simply do not add up.

There is at least one other proposal on the table for dealing with the 6.2 million Americans who now receive disability benefits. Some advocates of privatization have suggested that these people be thrown into the Supplemental Security Income Program, SSI. The callousness of these proposals is deeply disturbing.

I will state what ought to be obvious to Senators on both sides of this discussion. It is outrageous to treat Americans with disabilities as a mere afterthought in this momentous debate. It is unacceptable to leave them as collateral damage when the smoke clears and the casualties are counted.

Here is the crux of the problem: The President's Commission has proposed dramatic cuts in Social Security by calculating future benefits based on changes in the Consumer Price Index. This approach poses huge risks to recipients of

Social Security disability benefits and also to widows and orphans who receive survivor benefits. Bear in mind that Social Security currently uses basically the same benefit formula for all categories of beneficiaries. So if retirement benefits are slashed by nearly half, disability benefits will also be slashed in the same across-the-board fashion with catastrophic consequences.

Everyone appreciates that the Social Security payroll tax purchases a very good defined benefit upon retirement. What is not fully appreciated is that the payroll tax also purchases an excellent disability insurance policy, one that would be difficult, if not impossible, to purchase on the private market.

I am going to repeat that. What is not appreciated is that our payroll taxes buy an excellent disability insurance policy, which would be difficult, if not impossible, for you to buy in the private market.

Here are the facts. For the average wage earner with a family, Social Security benefits are equivalent to a \$322,000 life insurance policy or a \$233,000 disability insurance policy. I had my staff look into how much it would cost to replace those benefits in the private market. The cost of the life insurance alone could be substantial. For instance, the cost of a modest \$100,000 term life insurance policy—that is just a term policy—varies from \$140 a year for a healthy 25-year-old to \$3,815 a year for a not-so-healthy 45-year-old.

The more shocking news is that you cannot accurately price a policy that would make up for disability. The vast majority of currently available disability policies are group policies. Right now, the only people who buy personal disability insurance are members of small, self-selected groups of people who are at a lower risk of becoming disabled, and these group policies are not stand-alone policies; they are supplemental policies. They just replace a percentage of income beyond what Social Security disability pays. So any change that lowers Social Security disability payments would actually raise the price of private disability insurance, because there would be a larger gap to make up between what people get from Social Security and a minimum replacement level.

More to the point, this kind of disability policy would not be available to just anyone. For instance, according to Patricia Owen, the former Associate Commissioner of the Social Security Administration:

Private insurance generally will not cover the blue-collar occupations. And long-term disability insurance for workers is the least offered. With Social Security disability insurance, all are covered. I would guess that the price of private long-term disability insurance would be at least 4 to 5 times higher than the percent of FICA that goes to disability insurance.

Young people better start thinking about this. They better start thinking about what this privatization means in terms of disability.

Any one of us on the floor today, anyone watching us—an accident could happen tomorrow and you could be disabled. I am concerned that in the rush to privatize Social Security we are failing to consider unintended consequences. Americans with disabilities are at risk under the privatization plans now being discussed. I think what we have here is a crisis of mass

destruction. Before we went into Iraq we had the weapons of mass destruction. We found out they didn't exist. The President now says there is a crisis in Social Security that justifies slashing benefits by up to 50 percent, that justifies borrowing up to \$2 trillion to partially privatize Social Security.

Just as there were no weapons of mass destruction in Iraq, there is no crisis in Social Security. But if we go down this path of privatizing Social Security, cutting benefits, making it harder to get disability coverage, we will have mass destruction all right, we will have mass destruction of the American family, our American family, pulling together, helping each other in time of need by putting us all in this great big pool called Social Security insurance.

If the President and Mr. Norquist and those privatizers get their way, we will have mass destruction all right, here in our country—to our way of life, to our American family. We will have mass destruction to a future that people can look forward to knowing that if, they become disabled, they are going to have a safety net to look forward to. If the major breadwinner in the family, he or she, gets killed, dies unexpectedly, that the survivors will have a safety net to get them through school; looking forward to a future when you retire you will have some golden years and you will know that your future retirement years don't depend on whether the stock market goes up or the stock market goes down, that it only depends on one thing, the survival of the United States of America. That is what Social Security is.

I can tell you that in recent weeks my office has been flooded with letters and e-mails from my fellow Iowans who are deeply worried about the reports they are reading. They read about the President's 2001 privatization commission. Many of them know that the calculations assume disability benefits will be slashed. They have heard the proposals that we will just take people with disabilities and put them into SSI. This is deeply disturbing for people with disabilities who rely on Social Security, not just for income but for their dignity.

Social Security disability insurance has been a lifesaver for countless Americans. I think of Steven Cook, a former truckdriver from Iowa City, IA. After a lifetime of working hard, playing by the rules, he found himself unemployed, sleeping in his car, and diagnosed with renal failure. After qualifying for Social Security disability insurance and corollary health benefits, he was able to receive a kidney transplant and begin to put his life back together.

I don't want to add to the worries and fears of people with disabilities, people such as Steven Cook who rely on Social Security, but we have an obligation to raise these issues now, to discuss them, and to find out what those unintended consequences might be of the privatization of Social Security. As I said, the calculations and projections of the President's Commission on Privatization assume that disability benefits will be cut along with retirement benefits. The Commission recommended that "the President address the disability insurance program through a separate policy development process."

That recommendation was made 3 full years ago, but, to

my knowledge, there has been no such effort to develop any policy to safeguard the disability insurance program. In the absence of any reassurance from the administration, Americans with disabilities—widows and their survivors and orphans—have been left with the worst: Their benefits are going to be slashed in a draconian fashion. This is not compassion, and it is not acceptable.

I have come to the Senate floor today to raise these profound issues. It is time to talk about the fate of millions of Americans with disabilities who rely on Social Security benefits. Is the administration developing a plan to protect these people? Does the administration intend to take its cue from the Privatization Commission and propose steep cuts in disability benefits? Americans need answers. More than 6 million Americans who rely on disability benefits need answers, as we all do. Any one of us could become disabled and face a dire need of this safety net.

I urge the President to consider this issue. If the plan is to privatize Social Security on the backs of our most vulnerable people, that is profoundly a moral mistake. Such a plan I hope will be unacceptable to Members of this body. I urge the President and his advisers to give very careful consideration to this issue.

Yes, we need to address long-term challenges to Social Security. However, Social Security is sound. It is as sound as the United States of America. Will it need changes 50 years from now? Yes. Minor changes can fix it. Does it need to be privatized? No. Do we need to protect the social insurance program for people with disabilities or for people like you and me who are not right now disabled but may be tomorrow? The answer is yes. We can only do it if we have one national social insurance program. It has served us well.

Not all old things are bad. The older I get, the more I think about that. Not all old things are bad. Sometimes I see people wanting to change this or change that. For what reason? They say: Well, it is old. So what? The Ten Commandments are pretty old. I don't think they need to be changed.

Social Security insurance has served us well. It will serve these young people here today well. It will serve all young Americans well as long as we think about it in terms of the American family. We are all in this together. We will all go our separate ways and do our separate things in life, but if trouble falls, if one person becomes disabled, if one person dies and the widow or widower and the kids need help, we are there. We are there as part of a family. You will not get that if you privatize Social Security.

We will fix the long term balance sheet on Social Security. But we should always keep in mind that Social Security is as strong and as sound as the United States of America. If you do not believe in America, you don't believe in Social Security. If you do not believe in the future of our country, you don't believe in the future of Social Security. But if you believe in America and if you believe in the future of our country, you believe we can come together to truly protect Social Security.

I yield the floor.